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No. 97-1038

IN THE

Supreme Court of the United States

OCTOBER TERM, 1997

EVANS COOLING SYSTEMS, INC.
and PATENT ENFORCEMENT FUND, INC.,

Petitioners,

v.

GENERAL MOTORS CORPORATION,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF IN OPPOSITION

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QUESTION PRESENTED

Did the Federal Circuit err in declining to create a new "allegation of misappropriation" exception to the on sale bar to patentability that has never been recognized by this Court or any other court, where innocent third parties placed the alleged invention on sale to the public more than one year before the patent application was filed?

RULE 29.6 STATEMENT

Pursuant to Supreme Court Rule 29.6, General Motors Corporation advises the Court that the following is a list of General Motors' non-wholly-owned subsidiaries as reported to the Securities and Exchange Commission in Exhibit 21 to General Motors' Form 10-K Annual Report for the year ended December 31, 1996:

Asset Leasing GmbH
Carus Grundstucks-Vermietungsgesellschaft mbH & Co.
General Motors GmbH & Co. OHG
Opel-Automobilwerk Eisenach-PKW GmbH
Contro Toonico Herramental, S.A. de C.V.
Packard Electric Hebi Co., Limited
Packard Electric Bai Cheng Co., Limited
Delphi Italia Automotive Systems S.r.l.
Delphi Italia Service Center S.r.l.
DRB s.a./n.v.
Opel France S.A.
ENCI S.A.R.L.
Texton P.L.C.
Delphi Harrison
Delphi L'EM Argentina S.A.
Reinshagen Tournai S.A.
GM Ovonic L.L.C.
Banque Opel
General Acceptance (Thailand) Ltd.
Holden National Leasing Limited
GM Finance HB
OPEL Leasinggesellschaft mbH
Polbank, S.A.
P.T. GMAC Lippo Finance
General Motors de Argentina S.A.
Beijing Wanyuan GM Automotive Electronic Control Co., Ltd.

RULE 29.6 STATEMENT
(continued)

Hubei Delphi Automotive Generator Co., Ltd.
Saginaw Norinco Lingyun Drive Shaft Co., Ltd.
Zhejiang Delphi Asia-Pacific Brake Co. Ltd.
General Motors Colmotores, S.A.
IBC Vehicles Limited
Millbrook Pension Management Ltd.
DIRECTTV Enterprises, Inc.
IBC Vehicles (Distribution) Limited
GM-Saab Communication GmbH
Packard CTA Pty. Ltd.
Packard Electric Systems Samara Cable Company
PT General Motors Buana Indonesia
P.T. Packard Kabelindo Murni Indonesia
Radiodores Richard, S.A.

In addition, General Motors has recently acquired an interest in:

PanAmSat Corporation
NETSAT Express, Inc.
LLC ELAZ-GM Corporation
Delphi Saginaw NSK Co., Ltd.
NSK Ltd.
Sodex
Flip Chip Technologies, L.L.C.
Aegis Technologies, L.L.C.
ProSTEP GmbH
ISF Internationale Schule Frankfurt
Geschaeftsfuehrungs GmbH
ISF Internationale Schule Frankfurt GmbH & Co. KG
SurFin Ltd.
DIRECTV Japan Kabushiki Kaisha
Shanghai Saginaw Dongfeng Steering Gear Co., Ltd.

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Delphi Chassis Systems Poland Sp.z.oo.
Autohaus am Nording GmbH
Aisin GM Allison Co., Ltd.

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COUNTER STATEMENT OF THE CASE

Because Petitioners' statement of the case mischaracterizes both the record before and the decision of the U.S. Court of Appeals for the Federal Circuit, Respondent General Motors Corporation presents this counter statement of the case.

A. Nature of the case. The U.S. District Court for the District of Connecticut (Chatigny, J.) granted summary judgment for General Motors under the on sale bar, 35 U.S.C. § 102(b), thereby invalidating Evans' U.S. Patent No. 5,255,636 (the "'636 patent"). The Federal Circuit affirmed that ruling on appeal, specifically holding that Petitioners' allegation of trade secret misappropriation by GM had no effect on the invalidating nature of the pre-critical date sales activity between independent car dealers -- whom Evans has never contended had any involvement in, or awareness of, the alleged misappropriation -- and the retail public.

B. Evans delayed six years before filing for the '636 patent. The application that led to the '636 patent was filed on July 1, 1992. Pet. 2. However, Evans allegedly conceived the underlying invention back in 1984 and claims to have reduced it to practice in 1986. Pet. 5. According to Petitioners' brief to the Federal Circuit, Evans did not seek patent protection thereafter because he "believed that his invention was of only marginal public interest." Thus, Evans took absolutely no steps to bring any benefits of his alleged invention to the public by filing a patent application until he learned of the sale of the accused GM engine cooling system. Pet. 10.

C. Independent car dealers placed the accused engine cooling system on sale more than one year before the patent application was filed. The accused engine cooling

system is associated with General Motors' LT1 engine. The first commercial General Motors car to employ the LT1 engine was the 1992 Corvette.

The on sale event that the Federal Circuit found dispositive involved a retail transaction between an independent Corvette dealer in West Bloomfield, Michigan and a customer named Aram Najarian in June 1991. As found by the trial court and reiterated by the Federal Circuit on appeal, "It is undisputed that on June 13, 1991, a retail customer named Najarian entered into a contract with a GM dealer relating to the purchase of a 1992 Corvette with the LT1 engine cooling system. In executing the contract, the dealer 'agree[d] to sell' and the customer 'agree[d] to purchase' a 1992 Corvette with an 'LT1' engine. The customer paid a deposit of $500 and the dealer transmitted the order to GM." App. 15; *see also* App. 5.

The Najarian transaction was just one of over two thousand orders involving the 1992 Corvette before the critical date. As the Federal Circuit detailed: "GM sent an 'Order Guide' for the 1992 Corvette to its independent dealers in late April or early May, 1991 to be used for ordering the vehicle described in the Order Guide. At about the same time, GM sent its dealers a supplemental brochure that provided additional ordering information for the 1992 Corvette, specifically stating that the car had reverse flow engine cooling [the subject matter of the alleged invention]. A representative of GM testified that it expected the dealers would start ordering the vehicles as soon as the Order Guide was sent to them. A sales representative at a GM dealership also testified that it was the dealership's common practice to order new cars and enter into agreements to sell new cars shortly after receiving the Guide. GM produced computer records documenting over 2000 orders placed by dealers around the country for the 1992 Corvette before the critical date." App. 2-3. Over 300 of the pre-critical date orders

"were placed on behalf of specific retail customers" like Najarian. App. 3.

D. Petitioners' spurious trade secret allegations. The basis for Petitioners' argument in this Court is a trade secret lawsuit that Evans brought against General Motors and that is pending in Connecticut state court. Evans' allegations in that action completely lack merit, as shown by a series of dated engineering documents demonstrating that GM's LT1 engine cooling system had been fully and independently developed before the time when Evans alleges that the trade secret theft took place.

Accordingly, Evans' assertion that "GM did not contest that there is sufficient evidence to present a triable issue of fact as to whether it had misappropriated Evans' invention" (Pet. 3) is absolutely wrong. General Motors has always contended that there is *no* evidence that supports Evans' allegation; in the courts below, GM argued successfully that there was no need for any inquiry into the factual basis of Evans' allegation of misappropriation because that allegation was irrelevant as a matter of law to the validity of the '636 patent.

E. The Federal Circuit found Petitioners' allegation of misappropriation against GM irrelevant in light of the sales activities of independent car dealers. After reviewing the overwhelming evidence of pre-critical date sales activity, as set forth above, the Federal Circuit "easily discarded" Petitioners' argument that the accused product was not on sale as a matter of law. App. 7. Accordingly, the Federal Circuit held that the Najarian transaction -- made "nearly a month prior to the critical date -- evidences an effective offer for sale that invalidates the '636 patent." App. 8.

The court below then turned to Petitioners' request that it create a "new exception" to the on sale bar based on Evans'

allegation of misappropriation. App. 8. The Federal Circuit first considered the Supreme Court cases cited by Petitioners in this Court and found none of them "dispositive" of the issue before it. App. 9-10. The Federal Circuit next considered the reasoning of "the one other court that has addressed this precise issue" and termed "persuasive" that court's rejection of the exception sought by Petitioners. App. 10-11.

The Federal Circuit then held that "[e]ven if [it] were to create an exception to the on sale bar such that third parties accused of misappropriating an invention could not invalidate a patent based upon sales by the guilty third party," that exception would not prevent the bar from applying here. Specifically, the court explained that *In re Martin*, 74 F.2d 951 (C.C.P.A. 1935), "squarely holds that activities of third parties uninvolved in the alleged misappropriation raise the statutory bar, even if those activities are instigated by" the alleged misappropriator. App. 11-12. Noting that Petitioners had "never contended that the independent dealers had any participation in or knowledge of the alleged theft," the Federal Circuit held that the on sale bar was raised by the innocent dealers "by placing orders for innocent retail customers like Najarian." App. 12.

REASONS FOR DENYING THE WRIT

The petition for a writ of certiorari should be denied. Petitioners flatly misstate the decision below by asserting that it turned on the sales activities of General Motors, the party accused of misappropriation, rather than those of the independent dealers. As a result, Petitioners advance a question that is not presented by the decision below and place exclusive reliance on a supposed rule of this Court's cases that is not even implicated by the decision below. In any event, the decision below reflects sound patent policy and is fully consistent both with the decisions of this Court and with the results of every

reported decision of any court that has ever considered the esoteric issue raised by Petitioners.

A. The Question Presented by Petitioners is Not Raised by the Decision Below.

Petitioners assert that this case presents the question whether "a patent [can] be invalidated by a party who ... steals an invention ... and puts the invention on sale more than one year before the inventor files a patent application." Pet. i. But that question was not decided by the court below and accordingly is not presented for review by this Court. Instead, as the Federal Circuit repeatedly made clear, its holding turned not on the sales activities of General Motors -- the "party who ... [allegedly] st[ole] an invention" -- but rather on the sales activities of third party independent dealers. *See* App. 8, 11-12, 13. The Federal Circuit explicitly *declined* to "reach or decide" the legal import of GM's own sales activities. App. 8.

Further, the court below expressly recognized that the case does not present the issue urged on this Court by Petitioners. The Federal Circuit held that the '636 patent would be invalid under the on sale bar in light of the sales activities of the independent dealers "[e]ven if we were to create an exception to the on sale bar such that third parties accused of misappropriating an invention could not invalidate a patent based upon sales by the guilty third party." App. 11. In other words, even if this Court granted certiorari and decided Petitioners' proffered question in their favor, the Federal Circuit's judgment of patent invalidity would stand. Because the sole issue put forth by Petitioners is not raised by the decision below, the petition necessarily must be denied.

B. The Decision Below Does Not Conflict with This Court's Precedent.

1. The supposed rule of this Court urged by Petitioners is inapposite.

Just as the question stated by Petitioners is not presented by the decision below, the supposed rule of this Court put forth by Petitioners is not implicated by the decision below. The gravamen of the petition is the assertion that the Federal Circuit's opinion conflicts with binding precedent from this Court establishing that "surreptitious and fraudulent use of an invention *by a misappropriator* of the invention cannot invalidate an inventor's patent on the invention." Pet. at 11 (emphasis added). But, as just noted, the Federal Circuit did not hold the '636 patent invalid based on the sales of the alleged misappropriator. Accordingly, even if this Court's cases had established the rule that Petitioners assert they did, the Federal Circuit's decision would in no way conflict with that rule. This circumstance completely negates Petitioners' argument for certiorari.

2. The cases cited by Petitioners either support the decision below or are dicta.

Moreover, the four 19th Century cases of this Court cited by Petitioners did not establish the rule alleged by Petitioners but rather either support the Federal Circuit's decision or at most contain only dicta on the subject at issue. In the first case, *Pennock v. Dialogue*, 27 U.S. (2 Pet.) 1 (1829), this Court actually invalidated the patent-in-suit under the public use bar. *Id.* at 23-24. In addition, the invalidating use had been with permission of the patentee. *Id.* at 4-5. For both reasons, any statements in *Pennock* regarding the application of the statutory bars where there had been fraud or piracy are dicta.

Shaw v. Cooper, 32 U.S. (7 Pet.) 292 (1833), is more pertinent because it did involve allegations that the invention was first disclosed to the public through piracy. *Id.* at 311. Nonetheless, this Court *still* invalidated the patent at issue under the public use bar because the innocent public had come to know the invention, even if through piracy. *Id.* at 323 ("Whatever may be the intention of the inventor, if he suffers his invention to go into public use through any means whatsoever, without an immediate assertion of his right he is not entitled to a patent ....") (footnote omitted). Thus, not only are any comments in *Shaw* concerning when the statutory bar might *not* apply mere dicta, but the result in *Shaw* fully supports the Federal Circuit's decision.

As in *Pennock* and *Shaw*, this Court invalidated the patent at issue in *Andrews v. Hovey*, 124 U.S. 694 (1888), under the statutory bars. Furthermore, the Court concluded its analysis in *Andrews* by holding that the language of Section 102(b)'s predecessor "seems to us to clearly intend that ... the patent shall be held to be invalid, without regard to the consent or allowance of the inventor. Otherwise the statute cannot be given its full effect and meaning." *Id.* at 719.

The case most heavily relied on by Petitioners, *Kendall v. Winsor*, 62 U.S. (21 How.) 322 (1858), did not even involve the issue of patent validity, let alone the statutory bars. Instead, *Kendall* concerned a now-defunct provision of the Patent Act of 1839 that afforded prior third-party users the right to continue using an invention after it was patented by someone else. *See id.* at 325-26. The Federal Circuit viewed these differences as dispositive. *See* App. 10 (declining to give weight to *Kendall* because "[t]he statutory on sale bar wasn't even in issue" there). As the appellate court with specialized expertise on the Patent Code, the Federal Circuit is particularly well-qualified to determine whether the language of *Kendall* has any import in this completely different context.

Indeed, there is a crucial difference between the statute at issue in *Kendall* and the on sale bar. The defunct prior-user provision created a private right for the particular individual who used an invention before it was patented by another. In that context, the equitable standing of the individual prior user had understandable importance. By contrast, the on sale bar benefits the public at large by encouraging early disclosure of inventions to the public and by preventing the patenting of inventions already in the public domain. *See UMC Elecs. Co. v. United States*, 816 F.2d 647, 652 (Fed. Cir. 1987), *cert. denied*, 484 U.S. 1025 (1988). Accordingly, it does not make sense for the bar to turn on the character of the particular party that causes the disclosure of the invention to the public. *Cf. Martin*, 74 F.2d at 956 (holding that "it clearly was proper ... for the Patent Office tribunals, representing the public, to take cognizance of" a public use instigated by a party accused of misappropriation).

As noted above, the Federal Circuit considered the cases cited by Petitioners and determined that none was controlling before affirming the invalidation of Petitioners' patent. App. 10. Importantly, this conclusion is the uniform judgment of history. Every court this century that has considered the effect of alleged misappropriation on the statutory bars has concluded that the cases cited by Petitioners are not controlling. *See Lorenz v. Colgate-Palmolive-Peet Co.*, 167 F.2d 423 (3d Cir. 1948) (reviewing the Court's 19th Century cases and holding that no exception to the statutory bars exists for activities that result from fraud or piracy); *Martin*, 74 F.2d at 955 (stating that none of the cases was "authoritative" regarding the effect of allegations of misappropriation on the statutory bars); *Eastman v. Mayor of N.Y.*, 134 F. 844, 852-55 (2d Cir. 1904) (discussing whether "fraudulent, surreptitious, or piratical" use of an invention could raise the statutory bars and rejecting the cases as either dicta or having only a "remote bearing on the questions now in issue").

The supposed conflict with this Court's cases trumpeted by Petitioners simply does not exist.

3. This Court's decision in *Kewanee Oil* strongly supports the decision below.

Indeed, this Court's most recent discussion of the effect of trade secret misappropriation on the statutory bars strongly supports the decision below. In *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974), the Court faced the question whether the patent law preempted state trade secret protection. In holding that there was no such general preemption, the Court relied upon the observation that the risk that "holders of patentable inventions would not seek patents, but rather would rely on the state [trade secret] protection" was not substantial because state trade secret laws provided "far weaker protection in many respects than the patent law." *Kewanee Oil*, 416 U.S. at 489-90. Specifically, the Court recognized that an inventor who opts to maintain an invention as a trade secret rather than file for a patent assumes several risks, including the "substantial risk that the secret will be passed on to his competitors, by theft or by breach of a confidential relationship." *Id.* at 490. In light of this risk, the Court concluded:

> "The possibility that an inventor who believes his invention meets the standards of patentability will sit back, rely on trade secret law, and *after one year of use forfeit any right to patent protection, 35 U.S.C. § 102(b)*, is remote indeed." *Id.* (emphasis added).

The Court's conclusion was premised on the belief that use by a misappropriator would constitute a statutory bar; otherwise, it would not have made sense to speak of the forfeiture under section 102(b) of the right to seek a patent as a risk attendant to trade secret theft.

Relatedly, Petitioners' complaint about the relative weakness of trade secret protection (Pet. 19-20) is not well taken since it was Evans who made the choice to rely on trade secret protection for six years rather than filing for a patent. Indeed, as *Kewanee Oil* makes clear, it is that relative weakness that makes state trade secret laws constitutional.

C. The Decision Below Does Not Conflict with Any Lower Court Decision.

Not only does the decision below not conflict with the 19th Century Supreme Court cases cited by Petitioners, but the decision below also does not conflict with the decision of any lower court. Petitioners' request for an "allegation of misappropriation" exception presented a question of first impression for the Federal Circuit, and the decision below was unanimous. Therefore, there is no conflict within the Federal Circuit. *Compare with Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 117 S. Ct. 1040, 1046 (1997) (certiorari granted where three dissenting opinions involved five of twelve Federal Circuit judges).

Moreover, the decision below accords with the decisions of the few other lower courts that have considered the issue. Only three previous reported decisions directly addressed the issues raised by this case. In *Lorenz*, the Third Circuit flatly rejected an exception to the statutory bars and held that public use by a party accused of misappropriation invalidated the patent-in-suit. *See Lorenz*, 167 F.2d at 429-30. The *Lorenz* holding was adopted by the Court of Claims in *Gearon v. United States*, 121 F. Supp. 652, 654-55 (Ct. Cl. 1954), *cert. denied*, 348 U.S. 942 (1955), which held that an inventor whose idea had been stolen by the U.S. Army lost the right to a patent by virtue of the Army's use and subsequent publication of the idea. Finally, in *In re Martin*, the Court of Customs and Patent Appeals held that activity by a third party, not alleged to have

participated in any misappropriation, invalidated a patent under the statutory bars even if that party obtained the technology directly from a misappropriator. *Martin*, 74 F.2d at 955. (Although the Second Circuit ultimately decided *Eastman* on other grounds, its discussion left little doubt that it, too, would have rejected a misappropriation exception to the statutory bars. *See Eastman*, 134 F. at 854.)

There is not a single case from any court whose holding conflicts with the decision below. Accordingly, there is no confusion or uncertainty in the law that warrants this Court's intervention.

D. The Issue Raised by Petitioners is Not of Broad Significance.

Whether an allegation of misappropriation ever has any effect on the application of the statutory bars has arisen in the federal courts (at least as reflected in reported decisions) on only five occasions this century -- *Eastman*, *Martin*, *Lorenz*, *Gearon*, and the decision below. Thus, in contrast to such issues as claim interpretation (*see Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996)) and the doctrine of equivalence (*see Warner-Jenkinson Co.*, 117 S. Ct. 1040), which are implicated in virtually every patent case, Petitioners' issue stands (if it stands anywhere at all) at the very periphery of the patent laws. There is no call for this Court to use its limited resources to consider this rare and isolated issue.

E. In Any Event, the Decision Below was Correct.

Finally, this case does not warrant review because the Federal Circuit's decision was plainly correct. In the first place, there is nothing in the language of Section 102(b) that supports the exception sought by Petitioners. *See* 35 U.S.C. § 102(b); *see also* App. 13 (noting that the exception sought by Petitioners

"has no basis in the language of the statute"). Accordingly, settled notions of statutory construction dictate that the statute's plain meaning be respected. *See, e.g., Diamond v. Chakrabarty*, 447 U.S. 303, 308 (1980) ("Courts 'should not read into the patent laws limitations and conditions which the legislature has not expressed'") (citation omitted). As noted above, this Court made precisely this point in *Andrews v. Hovey*. *See* 124 U.S. at 719.

Moreover, Petitioners' proposed exception would conflict with the policies behind both the patent code in general and the statutory bars in particular. The fundamental purpose of the patent laws is to increase the common good by making more and better technologies available to the public. *See Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 151 (1989). This purpose is directly furthered by the statutory bars through the incentive they create to file for a patent promptly, leading to early public disclosure of inventions. *See LaBounty Mfg. v. United States Int'l Trade Comm'n*, 958 F.2d 1066, 1071 (Fed. Cir. 1992). Evans scorned the goal of prompt filing by delaying his patent application for six years after reducing his alleged invention to practice, three years after suspecting that GM had misappropriated his invention, and more than one year after the accused device was placed on sale to the public. Application of the on sale bar here therefore properly furthers the aim of encouraging prompt filing.

Petitioners argued in their papers to the Federal Circuit that Evans' delay in filing is explained by the fact that Evans was "unaware of any public interest in his aqueous system" until General Motors introduced the 1992 Corvette. This purported "excuse" is actually a powerful reason to apply the bar here, for it is directly antithetical to long-settled patent policy. *See, e.g., Mason v. Hepburn*, 13 App. D.C. 86 (D.C. Cir. 1898) (holding that a prior inventor was not entitled to benefit from the patent laws where he "attached no importance" to an invention until

learning of the work of a subsequent inventor because "the inventor, who ... withholds his invention from the public, comes not within the policy or objects of the Constitution or acts of Congress.") Perhaps that is why Evans now claims his delay was caused by being unable to afford filing a patent application. Pet. 18. That excuse rings hollow, however, given that Evans *did* file several other patent applications during the period at issue.

The proposed exception would also violate another important policy of the statutory bars by removing technology from the public domain. *See In re Caveney*, 761 F.2d 671, 676 (Fed. Cir. 1985). By June 30, 1991, hundreds of retail customers like Najarian had ordered cars containing the LT1 engine cooling system and accordingly had come to believe that the accused system was freely available. Application of the bar here ensures that this reasonable expectation is not frustrated.

The proposed exception would also have far-reaching and pernicious consequences. Under Petitioners' argument, it would be possible to obtain a valid patent on an invention that had been in public use or on sale for many years as long as the original communication of the invention to the public arguably resulted from some act of misappropriation.

Finally, the exception sought by Petitioners is not needed to ensure individual equity. As the Federal Circuit noted, Evans has "an appropriate remedy" in the still-pending state court proceeding "if GM in fact misappropriated his invention." App. 13. Petitioners argue that they have been wronged because the invalidation of their patent results in third parties having royalty-free access to the alleged invention. Of course, that is *always* the result of application of the statutory bars; otherwise, there would be no incentive to file promptly. Like the rest of the petition, this argument does not establish why this Court should create a brand-new exception to the on sale bar.

CONCLUSION

For the foregoing reasons, the petition for writ of certiorari should be denied.

Dated: New York, New York
January 22, 1998

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